

Message Text

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ACTION EB-08

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E.O. 11652: N/A

TAGS: ETRD, IZ

SUBJECT: IRAQ'S DISCRIMINATORY DUTIES AGAINST THE IMPORT
OF U.S. MADE VEHICLES

REF: (A) BAGHDAD 0048

(B) 76 STATE 293098

(C) 76 BAGHDAD 1631

1. SUMMARY: GOI REITERATES THAT IT DOES NOT REGARD HIGH
IRAQI TARIFFS AGAINST U.S. MADE VEHICLES AS CONTRAVENING
1938 U.S.-IRAQI TREATY OF COMMERCE AND NAVIGATION.
END SUMMARY.

2. IN REPLY TO OUR NOTE SENT TO THE FOREIGN MINISTRY
JANUARY 9, 1977 CONCERNING DISCRIMINATORY TARIFFS AGAINST
U.S.-MADE VEHICLES (SEE REF. A), MINISTRY OF FOREIGN
AFFAIRS DIRECTOR FOR WESTERN COUNTRIES, HASSAN ANBARI,
CONVOKED COMMERCIAL ATTACHE TO PRESENT IRAQ'S VIEWS.

3. ANBARI REAFFIRMED THAT GOI CONSIDERS U.S.-IRAQI 1938
TREATY OF COMMERCE AND NAVIGATION AS VALID AND HAS NO
INTENTION OF ANNUL IT. HE SAID, HOWEVER, THAT "COMPETENT
IRAQI AUTHORITIES" DO NOT REGARD THE DISCRIMINATORY
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TARIFFS AGAINST U.S.-MADE VEHICLES AS CONTRAVENING THIS
TREATY.

4. ANBARI SAID THAT HIGH TARIFF ON U.S.-MADE VEHICLES
IS BASED ON CONSIDERATIONS CONCERNING IRAQI ECONOMIC
DEVELOPMENT AND THE OVERALL U.S.-IRAQI BALANCE OF TRADE
FAVORING THE UNITED STATES. REGARDING IRAQI ECONOMIC

DEVELOPMENT, HE SAID THAT THE "MISUSE" AND FREQUENT RE-SALE OF U.S. CARS AT HIGH PRICES "CONFUSED THE NORMAL SYSTEM FOR PURCHASE AND DISTRIBUTION" OF AUTOMOBILES IN IRAQ. MOREOVER, AS AMERICAN CARS ARE LARGE, THEY CAUSE GREAT WEAR AND TEAR ON IRAQI ROADS AND REQUIRE LARGE STOCKS OF SPARE PARTS. COMMERCIAL ATTACHE REPLIED THAT THE "MISUSE" OF U.S. CARS ONLY SHOWED THE HIGH IRAQI DEMAND FOR U.S.-MADE VEHICLES AND IF THE SIZE OF AMERICAN CARS WERE A PROBLEM, U.S. MANUFACTURERS MAKE SMALL AS WELL AS LARGE VEHICLES.

5. COMMERCIAL ATTACHE ALSO POINTED OUT THAT THE GOI HAS IMPORTED U.S.-MADE VEHICLES THROUGH THIRD COUNTRIES, MOST RECENTLY ABOUT 3,000 CHEVROLET PICKUPS THROUGH KUWAIT, AND RAISED THE QUESTION AS TO WHY IRAQI AUTHORITIES REFUSED TO DEAL DIRECTLY WITH U.S. MANUFACTURERS. ANBARI PROMISED TO CHECK INTO MATTER.

6. IN REGARD TO THE OVERALL U.S.-IRAQI TRADE BALANCE ANBARI CITED 1975 AND 1976 TRADE STATISTICS SHOWING LARGE IMBALANCE FAVORING U.S., AND MADE POINT THAT HIGH TARIFF ON U.S. VEHICLES OBVIOUSLY HAS NOT HINDERED U.S.-IRAQI TRADE. COMMERCIAL ATTACHE REPLIED THAT EVEN THOUGH 1975-76 STATISTICS DID SHOW IMBALANCE FAVORING THE UNITED STATES, TRADE BALANCES WERE ONLY IMPORTANT IN OVERALL BALANCE OF PAYMENTS OF THE TWO COUNTRIES WITH THEIR TRADING PARTNERS AND SHOULD NOT BE CONSIDERED EXCLUSIVELY IN BILATERAL CONTEXT. IN ADDITION, U.S. CRUDE OIL PURCHASES WILL LIKELY REVERSE U.S.-LIMITED OFFICIAL USE

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IRAQI TRADE BALANCE THIS YEAR IN FAVOR OF IRAQ.

7. ANBARI REPLIED FROM THE IRAQI POINT OF VIEW ONLY THE "NORMAL TRADE BALANCE"--I.E., EXCLUDING OIL--SHOULD BE CONSIDERED. IN REPLY, COMMERCIAL ATTACHE SAID THAT THE U.S. AND OTHER CRUDE IMPORTING COUNTRIES HAVE TO PAY FOR THEIR OIL PURCHASES MAINLY THROUGH EXPORTS AND EXCLUSION OF OIL FROM TRADE STATISTICS WAS NOT A FAIR METHOD OF EVALUATING TRADE BALANCES.

8. ANBARI CONCLUDED BY SAYING THAT HE HOPED THAT THIS INTERVIEW WOULD BE THE FIRST OF A CONTINUING DISCUSSION OF U.S.-IRAQI COMMERCIAL MATTERS.
WILEY

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